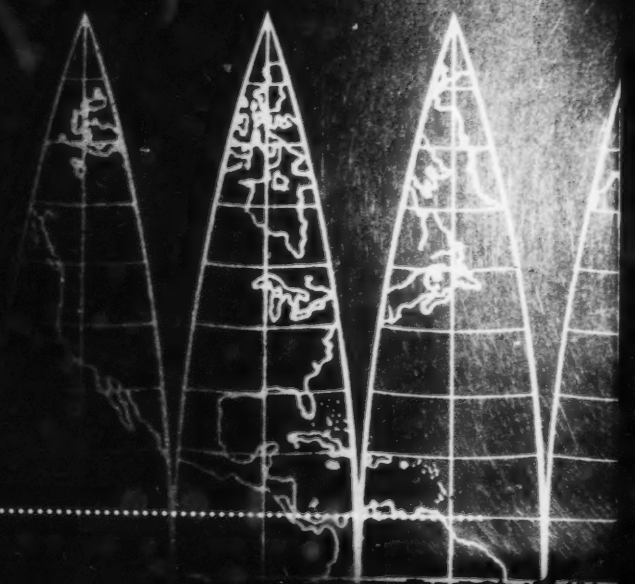
BC TRADE

BRITISH COLUMBIA TRADE DEVELOPMENT CORPORATION

ANNUAL REPORT

1991/1992



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CHAIRMAN'S MESSAGE

International trade has always been a key source of income and employment in British Columbia. Currently one in four jobs depend on trade, and during 1991, the Province's businesses sold more than $15 billion worth of goods and services to the rest of the world. Although this represents a 10 percent drop over 1990 — owing to low world market prices in our main commodity items, pulp, paper, and minerals — the value-added sector shows significant growth. ¶ The Province's export markets are becoming more diverse. Between 1985 and 1991 the U.S. share, as a percentage of all B.C. exports, declined 11 per cent. Europe's share grew from 10 to 15 per cent, and the Pacific Rim's share grew from 33 to 38 per cent. Last year B.C. Trade worked hard to further diversify and increase the markets for the Province's exports. We believe our lessening dependence on the U.S. market is one of the factors that has enabled B.C. to outperform the rest of the country during the recent recession. ¶ While it is true that our markets have become more diversified and that exports from secondary and tertiary industries are on the increase, the Province is still principally an exporter of natural resource products. It is therefore crucial that B.C. Trade focus attention on value-added sectors that will provide the greatest returns to our Province. The challenge in the coming years will be to identify growing market sectors around the world and to work with our natural resource producers to customize products for these high-potential markets. ¶ For example, in 1991/92, B.C. Trade implemented a number of strategies that increased exports in the value-added wood products sector; Japan was the major focus of these activities. A second focus was increasing sales of processed food products from our major agricultural crops; Asia and the U.S. were the target markets for this sector. ¶ British Columbia is approximately equidistant from Europe and the Pacific Rim. One can do business with Tokyo, New York and London on the same day. This ideal location, combined with our skilled labor force, abundant natural resources, innovative companies, transportation infrastructure, and multi-cultural population has positioned us well for an even more prosperous trading future. ¶ As Chairman of the British Columbia Trade Development Corporation I would like to congratulate the management and staff for last year's successes, and to present the Annual Report for the fiscal year ending March 31, 1992.

Wilson Parasiuk

Wilson Parasiuk
Chairman

PRESIDENT'S REPORT

During fiscal 1991/1992, B.C. Trade's second full year of operation, the Corporation continued to expand its activities and was successful in assisting numerous companies to enter new markets. Major new initiatives were undertaken in Asia Pacific markets, and an emphasis was maintained on sectors already doing well in North America and Europe. ¶ Inbound and outbound trade missions, export financing and counselling, as well as the structuring of alliances and consortia with domestic and international partners were the key tools the Corporation employed to increase the exports of goods and services from the Province. Last year, the Corporation participated in 71 trade shows and missions, issued 27 loan guarantees totalling $15.6 million, provided export counselling to more than 200 companies, and facilitated strategic partnering in all marketing sectors. ¶ The Corporation finished the year with a deficit of $173,000, calculated in compliance with Generally Accepted Accounting Principles. ¶ In the future, we plan to continue stressing the development of alliances and consortia, and we will work with specific industry groups to penetrate carefully identified geographic targets. Already we have seen the success of this approach through the development of the Asia Marketing Group, an alliance between B.C. Trade and the Consulting Engineers of B.C. ¶ British Columbia is a province built and sustained by its trading economy. However, in the past, the absence of a long-term trade strategy hampered our ability to identify and develop export markets in a continued and consistent manner. We plan to correct that. ¶ Our current goal is to finalize a definitive five year strategic plan that will ensure B.C. Trade is structured and financed to provide support to our key companies as they move through their export life cycles. ¶ Throughout this process, B.C. Trade will not forget the prevailing economic environment and will continue to ensure that efficiency and cost effectiveness are paramount. We look forward to a continuing relationship with the export community, and we are committed to providing an even higher level of service in the future.

Oksana Exell
President

EXPORT LOAN GUARANTEE PROGRAM

B.C. Company Doubles Revenues Through Exports

Merfin Hygienic Products had a problem. The young, publicly listed, Delta-based company was well positioned to pursue a hungry export market with its "environmentally responsible" air-laid paper products. It had the export orders, but lacked sufficient working capital to complete them — a problem many small and medium-sized companies encounter. ✪ Securing financing for export orders is one of the obstacles B.C. companies must face, particularly during times of economic downturn when financial institutions become more cautious. ✪ In the end, Merfin received the working capital it needed to secure its export orders — thanks to B.C. Trade's Export Loan Guarantee program. According to Merfin Vice-President of Finance and CFO John McNicol, "They [B.C. Trade] looked at our company, assessed the risks and determined they believed in us." He is thankful for this and for all the "tremendous support" Merfin has received from the people at B.C. Trade. ✪ Since its inception in June 1989, B.C. Trade's Export Loan Guarantee program has helped generate millions of dollars in new exports and created and/or protected thousands of B.C. jobs. While the program is designed to support local exporters, B.C. Trade Export Finance Manager Robert Jones says: "It doesn't subsidize companies or give money away. It simply acts as a co-signer for companies with solid purchase orders who require additional working capital in order to complete the transaction." ✪ Merfin was a good candidate for the Loan Guarantee program. The company had a solid capital base, proven technology and a good marketing plan. It also had the attention of some "quality export accounts." Says Jones, "The company possessed the proper ingredients to be successful. Our support would enable the company to grow." ✪ And grow it did. Merfin's first-quarter 1992 sales jumped by more than 95 per cent to $6.8 million (versus $3.8 million for first-quarter 1991). Export sales to the U.S., the Far East and Europe now account for approximately 85 per cent of Merfin's revenues. ✪ "With that type of growth, it's very, very difficult for us to secure adequate operating and working capital," says McNicol. "The Loan Guarantee program is a perfect vehicle for us to increase our operating loan facilities and help us penetrate the markets that we want to grow in." ✪ Although McNicol notes that Merfin"has a very good rapport with our bank," he says Export Loan Guarantees give the banks greater comfort to increase operating lines" while giving an export firm "one of the financing tools it needs for it to grow." ✪ The growth potential for Merfin's products is enormous. In Japan and the Far East, the oshibori (hot towel) market alone is estimated to be worth $1.2 billion a year. The North American `wiper' market is worth about $1 billion. Other strong markets include baby wipes, feminine hygiene products, food packaging and products for medical applications. ✪ First conceived and patented in Denmark, Merfin's water-frugal, `air-laid' manufacturing method yields a high-quality, cloth-like, bio-degradable material that can be blended with polymers and super-absorbent powders to create new products and applications. With a plant capacity of 13,000 tonnes per year, Merfin is now the world's third-largest supplier of air-laid parent roll paper. ✪ According to McNicol, the 125-employee firm is making deeper inroads into the Pacific Rim and the United States. And Merfin expects revenues to increase by more than 80 per cent in 1992. ✪ "We consider ourselves to be an environmentally friendly paper manufacturing operation, utilizing 21st century technology," says McNicol. "We're a young company with excellent growth prospects."

INTERNATIONAL CONSORTIA

The 1991 Trade Mission to Vietnam

Vietnam was looking for opportunities to do business with the West. B.C. Trade was looking to increase and diversify B.C.'s export markets. The solution: a B.C. Trade-sponsored mission to Vietnam to establish contacts in what could eventually become a significant market in South East Asia. ✈ On April 30, 1991, B.C. Trade met its objective. Led by B.C. Trade's Vice-President of Marketing Steve Mostardi, and Service Industries Director Gail McBride, the two-week trade mission was a success – thanks largely to months of pre- mission research and preparation conducted by B.C. Trade staff. ✈ The key, says McBride, "was to identify sectors in Vietnam where B.C. expertise could have the biggest impact." These sectors were: pulp and paper manufacturing; forestry development; mapping; offshore oil and gas surveys; port development; environmental assessment; transportation (including roads and airports); agriculture and fisheries; and water supply management. ✈ Seven B.C. engineering firms and one environmental firm were invited to participate in the ground-breaking mission: Associated Engineering (B.C.) Ltd., ESSA Environmental & Social Systems Analysts Ltd., H.A. Simons Ltd., Lassing Dibben (Pacific) Ltd., McElhanney Geosurveys Ltd., Reid Crowther & Partners Ltd., and Stothert Group Inc. ✈ Following a background briefing in Thailand, delegates flew to Vietnam to meet senior government officials in both Hanoi and Ho Chi Minh City (a.k.a. Saigon). Side trips were made to Haiphong and Vung Tao to view local conditions and the economic infrastructure. The mission also visited the Asian Development Bank (ADB) in Manila to determine future plans for funding projects in Vietnam once the U.S. embargo is lifted. ✈ The Mission's Successes: Stothert Group's subsidiary, Stothert Management Ltd., signed a $4.2 million 2.5-year contract to provide technical and management assistance to a pulp and paper mill at Bai Bang township in northern Vietnam. ✈ Associated Engineering, in a joint-venture with Crippen Consultants, landed two projects: a highway maintenance project and a rehabilitation project for highway bridges. Lewis Reinders, Industrial Services Manager for Associated, believes that once the opportunities are flagged by government, it's up to private industry to take the lead. "It's up to us to follow-up and maintain the relationships so we don't lose the investment." ✈ Lassing Dibben (Pacific) met with the Vietnam Department of Transportation and landed a $130,000 feasibility study to upgrade or construct two shipping ports in northern and southern Vietnam. Says Lassing Regional Manager Sid Sridhar: "I can't think of a better program for B.C. Trade to support. Everybody is looking for opportunities in Vietnam. The key is to position ourselves now. When the U.S. lifts the embargo on Vietnam, all the legwork we're doing now will pay off." ✈ ESSA President Robert Everitt agrees: "On the balance, the mission was great." He believes government-sponsored missions are "very, very important" to help forge what B.C. Trade's McBride calls "linkages" between B.C. firms and the various Vietnamese government departments. ✈ Although ESSA has been active in Vietnam since 1988, Everitt says high-profile delegations like B.C. Trade's "help lay the groundwork for more work ....and it helps to raise our profile when we have the support of the [B.C.] government." ✈ According to Hans Gray, Asia Pacific Manager for McElhanney Geosurveys Ltd., the mission "was a unique opportunity. Hectic at times, but extremely well-organized." Hectic or not, the team approach helped cut the red tape, says Gray, adding that it also laid the base for future joint- venture alliances with the various branches of the Vietnam government and the country's remaining 8,000 or so state-owned companies. ✈ H.A. Simons International Managing Director David Ganshorn, was pleased the company made good contacts with fellow Canadian firms and other potential joint-venture partners already active in S.E. Asia. "I don't think it [the mission] can be improved upon. Steve and Gail did an excellent job." ✈ Thanks in part to B.C. Trade and the firm's own contacts, Reid Crowther & Partners are negotiating for a major water sector assignment. Reid Crowther Environmental Engineering Manager Neil McDonald lauds the

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B.C. Trade assists B.C. firms to gain access to contracts funded by the Asian Development Bank. The Asia Marketing Group (AMG), a joint-venture between the Service Industries Branch of B.C. Trade and the Consulting Engineers of B.C. (CEBC), helps 20 engineering firms to pursue Asian development contracts. In 1991-92, spanning its second and third years of operation, three contracts valued at $5 million were awarded to AMG member firms for work in Pakistan, Bangladesh and Vietnam. Commissions exceeding $8,000 have been paid back to the AMG, of which 50 per cent has been reimbursed to B.C. Trade. In addition, members of the AMG are involved in the pursuit of 25 technical assistance projects valued at $16 million and loan projects valued at $56 million.

This year the AMG's management structure was formalized and steps were taken towards financial independence from B.C. Trade. The AMG has also begun opening its membership to non-CEBC firms. Four environmental consulting firms have now joined the group.

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mission as being "the door-opener to identify projects and find out what works, what projects are viable, and what was pie-in- the-sky." ✈ ESSA's Everitt emphasizes the importance of building long- term business relationships. He says individual B.C. firms must be prepared for minimum three years of contact before they can expect the contracts. "Fickleness and impatience simply won't get you work." ✈ "Message received," says B.C. Trade's Gail McBride. "The mission is only the first step in an overall market presentation – the beginning of a larger, integrated program and sustained market operation." ✈ The next step: At the invitation of B.C. Trade and the seven mission companies, 10 senior Vietnamese government officials will visit B.C. in May 1992. The visit will help the Vietnamese to gain an understanding of B.C.'s infrastructure and B.C. companies' capabilities. Collaborative efforts for development projects in Vietnam will also be discussed. As well, there is a second S.E. Asian trade mission scheduled for the fall of 1992. ✈ "Trade missions like this help position B.C. companies early enough in a marketplace to take advantage of emerging opportunities," says McBride. "And they get companies working together internationally."

INDUSTRY DEVELOPMENT COUNSELLING

Export Counsellor Champions the Water Bottling Industry

Since 1988, B.C.'s bottled-water exports have grown twentyfold to include more than 66-million litres of unflavoured and 36-million litres of flavoured or sweetened waters. The total export value is almost $60 million, and the explosive worldwide demand for bottled water is in no way about to ebb. With a bounty of fresh, clean water at our doorstep, more and more B.C. companies are eager to break into the highly competitive, but potentially lucrative, bottled-water industry. With the help of B.C. Trade's Export Counsellor Frauken Dannmeyer, they may just make it. Dannmeyer has been trying to take B.C.'s bottled water to the world. Given time – and the right marketing savvy – she feels consumers everywhere will drink in her message. Although she admits the global market is "extremely competitive" and is dominated by European exports, she believes B.C. has "the best, the very best water." Her challenge: to turn this potential into a market reality. Her obstacles: "The market has attracted a lot of small start-up companies that may be underfunded and unaware of the costs and pitfalls of exporting their water, no matter how good." It takes skill, expertise and endurance for companies to maneuver through tough foreign product standards, labelling requirements and import regulations. That's where Dannmeyer comes in. According to her, B.C. suppliers have two inherent market advantages over their competition: the massive U.S. market is just across the border; and the words 'Canada' in general and 'British Columbia' in particular are synonymous with purity and freshness. The combination is unbeatable, assuming it's backed by solid marketing, attractive packaging and a competitive price position. Fail to address these "key issues," says Dannmeyer, and any B.C. product will simply get swallowed up – by the competition, not by the consumer. Dannmeyer is encouraging British Columbia's 16 current producers to form an association and to establish recognized product purity and production standards. She believes this is imperative for the industry's longevity and overall success. In the meantime, Dannmeyer continues to champion B.C.'s burgeoning bottled-water producers, whom she believes are ready to take on the world.

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Gord Macatee knows how difficult it is to export foods. As B.C. Trade's Director for the Agriculture, Fish and Food Branch, he's had plenty of experience helping B.C. food companies break into competitive foreign markets.

In this tough environment, Macatee believed that B.C. companies needed to pool their resources and focus their marketing objectives. "The food industry can do collectively what individual companies frequently cannot."

With this in mind, B.C. Trade set out to assist in the establishment of an association of food exporters. Under Macatee's direction, B.C. Trade assembled the nucleus of what has now become the B.C. Food Marketing Council (BCFMC).

In less than a year, the Council has attracted more than 140 members, has developed domestic and export marketing strategies for the Province's food industry, and has co- sponsored a number of targeted marketing initiatives.

According to Brian Messent, Executive Director of the BCFMC, "B.C. Trade was the catalyst in assisting us to launch the Food Marketing Council, and has continued to play an active role throughout our rapid growth."

The existence of a strong food industry association will also help B.C. Trade to serve the food sector better in the future. "We can look forward to working with the Food Marketing Council to develop initiatives that are focused, adequately financed, and have the full commitment of the industry," says Macatee.

The BCFMC is ending its first year of operations as an independent, self-directed organization helping to fulfill B.C. Trade's goal to facilitate export marketing alliances in the food industry.

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EXPORT COUNSELLING & TRADE INTELLIGENCE

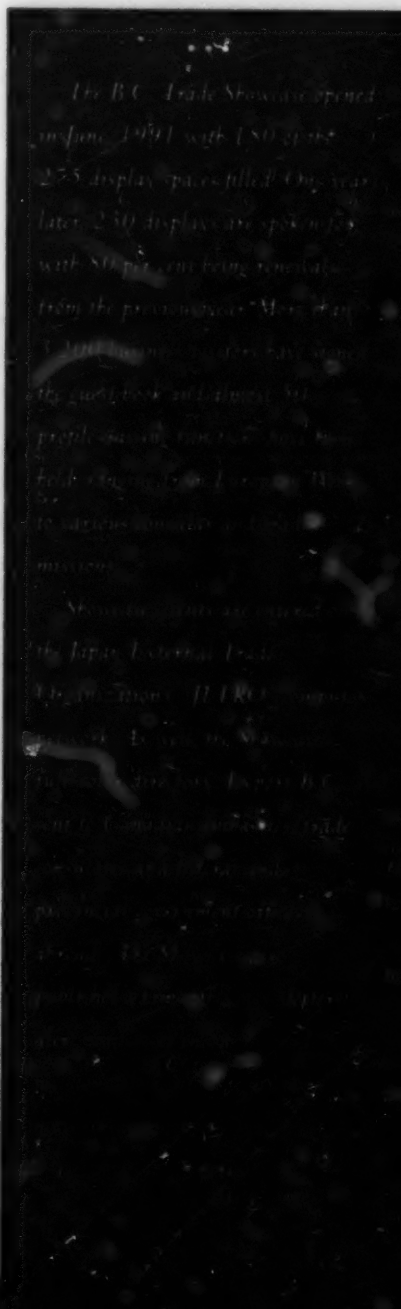
Trade Counsellor Helps B.C. Company Stake Out New Territory

Brian Johnson has seen his company's portable shelters survive the world's most hostile climates, from the ice-edged winds of the High Arctic to the bone-searing heat of the Sahara desert. ✦ As Co-Founder and General Manager of Weatherhaven Resources Ltd., Johnson knew his light-weight, air-transportable fabric structures could endure the worst nature could throw at them. But without expert help, he knew the company itself couldn't weather an even more inhospitable climate — the ruthless international export marketplace. ✦ Weatherhaven was founded in 1980. Its key market was the Canadian resources industry. By the late 1980s, sales had reached $1.9 million but had begun to plateau. For Weatherhaven, it was a case of export or slowly fade out. ✦ Although the high-performance shelters were originally designed with Canada's extreme climate in mind (cold and windy), the company decided to adapt its structures for hot and humid, and hot and dry locations, and to target new customers internationally. "Let's face it, in hot-weather locations, there's a lot more population and there are a lot more things happening," explains Weatherhaven's Vice-President of Marketing Jack Gin. ✦ In 1989, Weatherhaven began working with a B.C. Trade Export Counsellor. The company met regularly with B.C. Trade to discuss methods of breaking into the U.S. and international markets. In turn, B.C. Trade "tied us into a network, including CIDA [Canadian International Development Agency]," says Gin. ✦ Then in 1990, the Corporation arranged for Weatherhaven to attend an oil-industry trade show in New Orleans; the trip was to be partially funded by a B.C. Trade program that existed at that time. At Weatherhaven's request, it included a stopover in New York where B.C. Trade had earlier arranged an appointment between Weatherhaven and the Canadian Commercial Corporation (CCC). (The CCC assumes the role of prime contractor and undertakes to deliver products or services to foreign customers, with a back-to-back obligation from a Canadian supplier.) ✦ Says Gin: "It was the most important sales call of my career." ✦ The meeting in New York allowed Weatherhaven to make a vital contact with a major international development agency. That led to a $200,000 contract to supply the agency with nine portable, turnkey shelters. It was the break Weatherhaven needed. Largely as a result of this contact, the company's sales jumped from $2.5 million in 1990, to $15 million in 1991. ✦ Gin says B.C. Trade's ongoing market intelligence helped Weatherhaven identify the key decision makers. "With any good customer, the first sale is very important," says Gin, "And getting in to see the right person is crucial." ✦ According to Gin, many Canadian firms are either afraid to risk the money necessary to seek out new markets, or when they do spend speculative money, they don't know whether it's being used effectively. For this reason, Gin values the contacts, market information and background research B.C. Trade can provide. "B.C. Trade makes the decision to travel easier. I'm able to determine if there's going to be key people at a meeting or not." ✦ Nevertheless, he says the onus is on individual companies to sell themselves. "When we contact the trade offices and consulates, we don't expect them to be our salesmen. They're there to assist us; it's up to us to sell our own product. ✦ "The key to our products is their durability in extreme weather, their low shipping weight and volume." Gin adds that the resulting low transport costs, combined with easy installation, all-weather performance, and interior design flexibility add to the products' popularity. ✦ Gin is confident Weatherhaven will continue to grow. In fact, the company now exports 90 per cent of its production to such places as Chile, Iraq, Papua New Guinea, Angola and the Sahara. Users include the oil and mining industries, scientific and military operations, and international and government agencies.

THE B.C. TRADE SHOWCASE

Opens International Doors for Prospective Exporters

It's a long way from Vancouver's waterfront to Spain and Argentina. But thanks to the B.C. Trade Showcase, one small British Columbia firm has found an open road into multi-million dollar export markets in both of these countries. ✸ Tekedge Development Corporation is one of 230 small and medium-size B.C. firms displaying their products and services in downtown Vancouver's airy, waterfront space known as the Showcase — a one-stop, permanent exhibit of B.C. export products and services for international buyers to view. ✸ Tekedge's product: a siren-activated, traffic-light control system that gives emergency vehicles the exclusive green light through intersections. Tekedge President and self-described "electronics amateur" Brian Shaw, claims the patented system can save lives and will pay for itself through reduced damage-liability premiums and lawsuits. ✸ "There's nothing like it in the world," says Shaw, adding that most people don't realize that even police and emergency vehicles are liable if they run a red light and cause an accident. "The city pays, the taxpayer pays." ✸ Unfortunately, after investing $1 million and five years in research and development, Shaw, along with co-founder and prime inventor Lloyd Hargrove, had many plans but few export sales. Then they rented space at the B.C. Trade Showcase. ✸ One afternoon, a businessman with interests in South America saw Tekedge's Showcase display and became interested in the company's product. The Showcase representative fielded his questions, explained Tekedge's brochures and set up the crucial introduction. ✸ Tekedge now has a dealer network in Spain "and we don't pay a penny for it," exalts Shaw. As well, the company has received the go-ahead to provide a demonstration of their product in Buenos Aires, "where the population is huge and the need is great." If everything rolls along as planned, Shaw feels the deal will be Tekedge's green light to enter a $20 billion plus global market. As he puts it: "The B.C. Trade Showcase was responsible for [Tekedge's] two international dealership agreements." ✸ Astrid Levelt, Marketing Manager for the Showcase, believes good marketing promotion has to be proactive and focused on each exhibitor's needs. "We look at our exhibitors as clients," says Levelt. "We are providing a service. We find out what's going on and let them know that we care about their business....They don't just see us as `the government' when they join us, but as their partners." ✸ The 6,000-square-foot Showcase has four main theme areas: general manufacturing, food and agriculture, service, and high-technology (including software). To maintain consistent visual quality, the Showcase has its own designer on contract. It also has meeting rooms, fax/telephone lines and other amenities so buyers and suppliers can conduct business on-site. Display space at the non-profit Showcase is rented by the year and is reasonably priced. Says Levelt, "The objective is to break even." And to help B.C. companies break into new markets. ✸ The Showcase's two full-time and one part-time staff have garnered more than 1,100 high-quality sales leads and have acted as the catalyst for some vital export sales. Some examples of Showcase exhibitors who have found success in international markets: ✸ Turbo Sports Products had known of possible sales contacts in Japan. Levelt says it also "heard the Japanese market was hard to crack" and so never bothered to try. But within two days of the Showcase opening, the "endless inquiries" from visiting Japanese buyers stimulated Turbo's interest. ✸ When B.C. Trade organized a trade show in Japan, Turbo went along...and returned with a break-through $200,000 order for its aerodynamic roof-top carriers plus a working arrangement with a Japanese firm. ✸ Abbotsford-based Quality Log Homes International signed a distribution agreement with Taiwan that could be worth up to $400,000 a year. If successful, it will open up new markets in the Pacific Rim. Company President Walter Froese says the deal came about as "a direct result of our display at the Showcase." ✸ Electronics firm Kubik Technologies took space at the Showcase and now has global markets for its patented, high-speed CD-Rom data-storage system that can store "the whole B.C.I.T. [British Columbia Institute of Technology] library in a box." ✸ According to Levelt, software firm Resort Systems Inc., "started out in a basement" and now has in excess of 400 hotel/resort management clients in North America and abroad. ✸ Walt Nordstrand, Marketing Manager for the systems integration giant Canac/Microtel, says: "The Showcase offers companies the advantages of an international trade show at a fraction of the price." ✸ Paul Hubbard, Consul and Senior Trade Commissioner, Canadian Consulate, Seattle, concurs: "It's ideal for making that all important first contact without the expense and difficulties of participating in out-of-province trade shows."



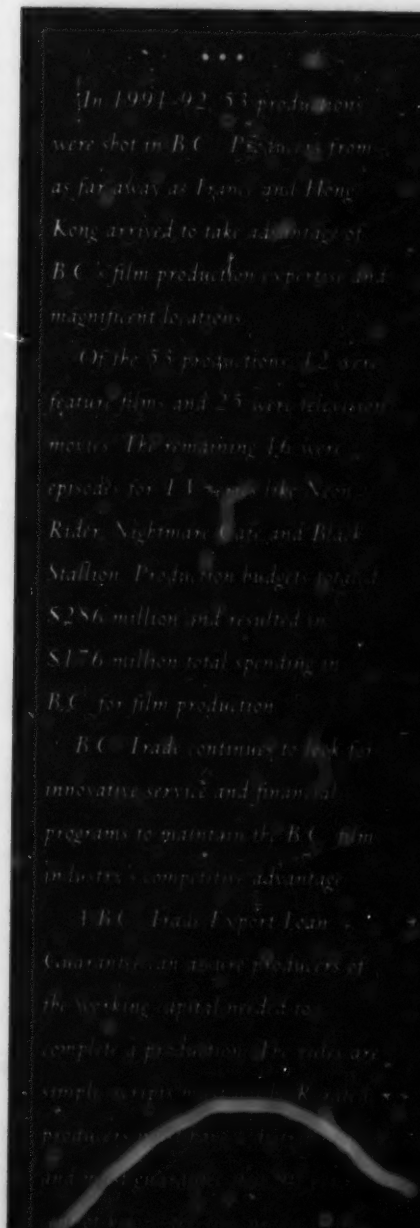
THE B.C. FILM COMMISSION

Selling British Columbia's Expertise to the World

According to Dianne Neufeld, Director of the B.C. Film Commission, it was a "done deal." An American film producer was ready to begin shooting on location in the Vancouver offices of a local company. ★ "We had attracted the producers here in the first place, and had worked closely with them to find locations to shoot their multi-million dollar production," Neufeld recalls. But like with most film and television productions, a last- minute crisis arose. In this case, the local company had changed its mind about allowing the producers' cameras into its offices. ★ A major problem, to say the least. "Every day a production crew sits idle it costs the producers about 40 to 50 thousand dollars," says Neufeld, "So you can imagine how anxious they were to find a solution." ★ Thanks to the Commission's expertise in handling public affairs fiascoes like this one, the situation was promptly straightened out. Just by getting the producers and the company's executives in the same room,"We were able to satisfy everyone's concerns," says Neufeld. ★ Handling the community relations needs of a film production company once it has decided to shoot in British Columbia is the final stage of the Film Commission's services to the industry. First, the Commission markets the B.C. film industry to the world by "selling everything from B.C.'s production capability, to its people and locations, to its commercial support and co-venture possibilities," says Neufeld. ★ The Commission then assists producers with location scouting through its extensive photo library which "covers every corner of the Province." In fact, what starts as a phone call to the Commission for information can result in a scene-by-scene photographic breakdown of locations for a script, to an on-location survey with the producer. ★ Once a producer decides B.C. is the place to film, the Commission provides information on everything from the availability of local crews, technical facilities and other support services, to office space, casting services, transportation, unions, immigration and insurance. As well, the Commission acts as a liaison between the production company and other interested parties, such as the general public, the government and the private sector before, during and after filming. In any business, no matter how creative the product or efficient the services that support it, what really matters is the bottom line. For the B.C. film industry, the 15 per cent break on the dollar and B.C.'s varied locations got the U.S. film industry looking north in the first place. But the high level of repeat business is based on a number of factors:

- Highly trained crews that have not lost their enthusiasm for film and television production
- Large talent pool of performers to draw from
- Competitive union rates and flexibility
- Inexpensive production space
- Full service studios and post-production facilities with state-of-the-art technology

★ The Film Commission realizes that it isn't enough to be just another 'pretty', albeit 'flexible' backdrop. It promotes B.C. as a world-class production centre for film, television and commercial production. According to Neufeld: "The Commission will continue to build on the advantages that location, the exchange rate and our superior quality of service have given us." What better way to promote all of the goods and services of British Columbia than through the export of film and television.



B.C. TRADE EXPORT AWARDS

Kelowna Company Sets its Electronic Eyes on the World

For two years B.C. Trade has honoured British Columbia's outstanding export companies. Held throughout the Province, the B.C. Trade Export Awards ceremony and the award itself give tangible recognition to B.C.'s groundbreaking exporters. This year, representatives from eleven companies were so honoured. Walter Shawlee was one of them. Shawlee is president of Kelowna-based Northern Airborne Technology (NAT). His products: airborne communication systems; tactical direction finders with multi-task functions (they can do everything from pinpointing a rescue helicopter to eavesdropping on high-flying suspect aircraft); and other related equipment that have now won markets among civilian, military and law enforcement agencies worldwide. The Export Awards aren't given only to firms with the largest export revenues, but to those with innovative marketing strategies and high quality products and services. In NAT's case, annual revenues are approximately $3 million, of which more than 85 per cent are export generated. Says Shawlee: "We've already sold to everyone in Canada that we can possibly sell to in the helicopter business." Having saturated the domestic market, NAT began exporting 11 years ago. Though the firm was able to penetrate new markets on its own, Shawlee says the assistance and support of B.C. Trade helped NAT identify and link up with other new customers. B.C. Trade participated in 16 major foreign and domestic aerospace and high-tech trade shows in 1991/92. According to Trade Development Manager Kathy Swangard, the Corporation's presence at these foreign events is imperative to the growth of B.C. companies' exports. "By encouraging companies to participate in foreign shows, B.C. Trade, often in coordination with the Federal Government, provides a level of profile that the company can't achieve on its own," says Swangard. "As well, by bringing a number of companies together under the umbrella of B.C. Trade, we can add credibility to companies who are otherwise unknown in a particular marketplace." Along with a jealously-maintained reputation for product quality, Shawlee credits NAT's growth to its customer service. "We're not looking at `service' as a profit or loss transaction," he avows. "You have to recognize that things happen, things go wrong out there. When that phone rings, and the guy's got a problem, and he's 10,000 miles from you and everyone's busy beating him into the ground like a tent stake, you have to get him back into the air." NAT clients now range from Greenlandair, to the Brazilian navy and Peruvian airforce, to companies in the Netherlands, the U.K., Italy, the U.S.," and just about anywhere else." New target markets include South East Asia, "as far as Japan," and Europe "which we see as the hottest market in the world right now." NAT also has a lot of its specialized gear earmarked for law enforcement and drug interdiction. "And if you can believe this," says Shawlee, NAT recently won a sub-contract from Bell Helicopters to install a communications system aboard a demonstration machine for the Moscow police department.

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B.C. Trade's Export Awards are given to British Columbia companies which have demonstrated outstanding performance as exporters. Any British Columbia company that has been exporting its product for at least three consecutive years is eligible to receive the award. Companies are nominated by business people directly involved in facilitating export. Once nominated, companies complete application forms which are then judged by a panel of senior executives from the private sector and B.C. Trade.

The award itself, an etched glass sculpture, was designed by Robert Studer, an internationally acclaimed B.C. artist.

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AUDITORS' REPORT

for the year ended March 31, 1992

To the Lieutenant Governor in Council,
Province of British Columbia

We have audited the balance sheet of the British Columbia Trade Development Corporation as at March 31, 1992 and the statements of revenues, expenditures and unappropriated equity and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1992 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Deloitte & Touche

Chartered Accountants
Vancouver, British Columbia
June 1, 1992

BALANCE SHEET

as at March 31, 1992

BRITISH COLUMBIA
TRADE DEVELOPMENT
CORPORATION

ASSETS

	1992	*(Restated-Note 2)*
CURRENT ASSETS		
Cash and short-term investments	$ 2,725,200	$ 3,082,600
Accounts receivable	446,200	354,000
Prepaid expenses	86,900	3,700
	3,258,300	3,440,300
LOAN GUARANTEE RESERVE FUND *(Note 4)*		
Cash and short-term investments	2,927,300	2,279,900
FIXED ASSETS *(Note 5)*	806,700	843,200
	$ 6,992,300	$ 6,563,400

LIABILITIES AND EQUITY

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 1,234,600	$ 1,931,600
Unexpended program contributions *(Note 7)*	861,200	286,200
Deferred revenue	317,500	241,200
	2,413,300	2,459,000
LOAN GUARANTEE RESERVE FUND *(Note 4)*	2,927,300	2,279,900
	5,340,600	4,738,900
EQUITY		
Market Development Loan Fund *(Note 8)*	500,000	500,000
Special Programs *(Note 8)*	400,000	400,000
Equity in fixed assets	806,700	843,200
Deficit	(55,000)	81,300
	1,651,700	1,824,500
	$ 6,992,300	$ 6,563,400

COMMITMENTS *(Note 9)*

APPROVED BY THE BOARD:

W. D. Stothert
Director

H. H. Hannon
Director

STATEMENT OF REVENUES, EXPENDITURES AND UNAPPROPRIATED EQUITY

year ended March 31, 1992

	1992	1991
		(Restated-Note 2)
REVENUES		
Provincial contributions	$ **10,428,700**	$ 9,939,500
Operating revenue, net of costs of $211,300 *(1991 - $148,800)*	**976,400**	289,800
Interest	**336,300**	399,700
	11,741,400	10,629,000
EXPENDITURES		
Salary and benefits	**5,095,900**	4,150,900
Programs	**2,396,900**	2,092,300
Professional services	**1,054,500**	753,600
Office	**1,018,000**	837,900
Rent	**983,500**	787,800
Data processing	**364,600**	285,800
Promotion	**345,500**	416,900
Travel	**340,300**	415,100
Depreciation	**188,300**	111,900
Provision for loss on investment and advances *(Note 6)*	**66,400**	–
Other	**60,300**	54,900
	11,914,200	9,907,100
EXCESS OF (EXPENDITURES OVER REVENUES) REVENUES OVER EXPENDITURES	**(172,800)**	721,900
UNAPPROPRIATED EQUITY, BEGINNING OF YEAR		
As previously reported	**305,500**	250,700
Change in accounting policies *(Note 2)*	**619,000**	566,900
As restated	**924,500**	817,600
APPROPRIATIONS		
Market Development Loan Fund *(Note 8)*	–	500,000
Special Programs *(Note 8)*	–	115,000
	–	615,000
UNAPPROPRIATED EQUITY, END OF YEAR	$ **751,700**	$ 924,500
Unappropriated Equity consists of:		
Equity in fixed assets	$ **806,700**	$ 843,200
Deficit	**(55,000)**	81,300
	$ **751,700**	$ 924,500

STATEMENT OF CHANGES IN FINANCIAL POSITION

year ended March 31, 1992

BRITISH COLUMBIA TRADE DEVELOPMENT CORPORATION

	1992	
		(Restated-Note 2)
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of (expenditures over revenues) revenues over expenditures	$ **(172,800)**	$ 721,900
Add items not affecting cash		
Depreciation	**188,300**	111,900
Provision for loss on investment and advances	**66,400**	–
	81,900	833,800
Changes in non-cash operating working capital items		
Accounts receivable	**(92,200)**	18,100
Prepaid expenses	**(83,200)**	135,200
Accounts payable and accrued liabilities	**(697,000)**	(252,800)
Unexpended program contributions	**575,000**	286,200
Deferred revenue	**76,300**	241,200
	(139,200)	1,261,700
INVESTING		
Fixed assets	**(151,800)**	(388,200)
Investment and advances	**(66,400)**	–
	(218,200)	(388,200)
NET CASH (OUTFLOW) INFLOW	**(357,400)**	873,500
CASH POSITION, BEGINNING OF YEAR	**3,082,600**	2,209,100
CASH POSITION, END OF YEAR	$ **2,725,200**	$ 3,082,600

1. NATURE OF BUSINESS

British Columbia Trade Development Corporation (the "Corporation") is established under the Trade Development Act. The principle role of the Corporation is to promote the sale of British Columbia goods and services to markets outside British Columbia by providing advice and assistance to export enterprises on terms and conditions the Corporation considers advisable.

2. CHANGE IN ACCOUNTING POLICIES

Effective April 1, 1991, the Corporation has made changes to its methods of accounting for expenditures made on fixed assets and fees associated with its loan guarantees. These changes have been applied retroactively as follows:

a) Expenditures on fixed assets have been recorded at cost and depreciated on a straight-line basis over the estimated useful life of the assets as described in Note 3(b). Such expenditures were previously expensed in the year incurred. The effect of this change has been to increase unappropriated equity at the beginning of the 1992 fiscal year by $843,200 (1991 - $566,900), to increase fixed assets at March 31, 1992 by $806,700 (1991 - $843,200) and to increase the excess of expenditures over revenues for the year ended March 31, 1992 by $36,500 (1991 decrease - $276,300).

b) Loan guarantee fees, previously recorded as revenue at the inception of the loan, are now deferred and recognized as revenue over the term of the loan as described in Note 3(d). The effect of this change has been to decrease unappropriated equity at the beginning of the 1992 fiscal year by $224,200, to increase deferred revenue at March 31, 1992 by $263,100 (1991 - $224,200) and to increase the excess of expenditures over revenues for the year ended March 31, 1992 by $38,900 (1991 - $224,200).

3. SIGNIFICANT ACCOUNTING POLICIES

As prescribed by Section 9(6) of the Trade Development Corporation Act, the financial statements of the Corporation are prepared according to generally accepted accounting principles and include the following significant accounting policies:

a) Provincial contributions

The Corporation's principle source of revenue is provincial contributions from the Province of British Columbia to fund its operating and capital requirements. Provincial contributions are recorded as revenue in the period in which they are received.

b) Fixed assets

Fixed assets are recorded at cost and depreciated on a straight-line basis over the estimated useful life of the assets, at the following annual rates:

Furniture and equipment	20%
Computer software	33%
Automobiles	33%
Leasehold improvements	Over lease term

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

c) Investment
The investment in a subsidiary company is accounted for using the equity method.

d) Loan guarantee fees
Loan guarantee fees are deferred and amortized over the term of the loan.

4. LOAN GUARANTEE RESERVE FUND

The Trade Development Corporation Act authorizes the Corporation to administer the Province of British Columbia Export Loan Guarantee Program. Funding is provided by grants from the Province of British Columbia. Transactions during the year were as follows:

	1992	1991
Balance beginning of year	$ 2,279,900	$ 1,038,100
Add:		
Provincial Grant	750,000	1,000,000
Interest	192,200	241,800
Deduct:		
Guarantee called	(294,800)	–
Balance end of year	$ 2,927,300	$ 2,279,900

The Corporation has outstanding guarantees as at March 31, 1992 amounting to approximately $18,600,000 (1991 - $10,900,000) with respect to the Export Loan Guarantee Program. Default of any guarantees are funded by the Loan Guarantee Reserve Fund with any additional deficiency underwritten by the Province of British Columbia.

To March 31, 1992, losses of $294,800 were incurred on guarantees that expired during the year. With the exception of two guarantees totalling $638,850, the outstanding guarantees are in good standing.

5. FIXED ASSETS

	Cost	Accumulated Depreciation	Net Book Value 1992	Net Book Value 1991
Furniture and equipment	$ 779,800	$ 243,700	$ 536,100	$ 541,100
Computer software	19,800	6,400	13,400	13,400
Automobiles	27,800	21,700	6,100	19,900
Leasehold improvements	328,600	77,500	251,100	268,800
	$ 1,156,000	$ 349,300	$ 806,700	$ 843,200

6. INVESTMENT AND ADVANCES

During the year, the Corporation acquired 50% of the issued and outstanding shares of Hong Kong Gift Services Ltd. for $34,000 and advanced a total of $32,400 under a non-revolving line of credit. The advances are unsecured, bear interest at the Canadian Imperial Bank of Commerce prime rate and are repayable one year from the date of the advance. The Corporation has provided a provision for loss on investment and advances of $66,400 at March 31, 1992.

7. UNEXPENDED PROGRAM CONTRIBUTIONS

Included in programs expenditures are $861,200 (1991 - $286,200) related to provincial contributions applicable to projects in progress at March 31, 1992. These projects, which were included in the 1991/92 Business Plan, commenced during the year, but were not completed prior to March 31, 1992. The $861,200 is the estimated cost to complete these projects.

8. APPROPRIATIONS

a) Market Development Loan Fund

In 1991, the Corporation established a Market Development Loan Fund to assist British Columbia companies who are engaged in developing projects for export markets. No loans were issued during fiscal 1992.

b) Special Programs

In 1991, the $285,000 appropriated in 1990 for export assistance programs was utilized. The Corporation also appropriated $400,000 to establish a program to market the services and expertise of Crown Corporations and Provincial Ministries. Although no funds have been expended, the Corporation intends to carry through with this program in 1993.

	1992	
Balance beginning of year	$ 400,000	$ 285,000
Appropriated from unappropriated equity	–	400,000
Appropriations utilized during the year	–	(285,000)
		115,000
Balance end of year	$ 400,000	$ 400,000

9. COMMITMENTS

The Corporation occupies premises under occupancy agreements with the British Columbia Buildings Corporation, which expire in 1996 and 1999. Minimum annual payments under these agreements over the next five years are as follows:

1993	$ 1,144,000
1994	$ 1,105,000
1995	$ 1,126,000
1996	$ 1,185,000
1997	$ 1,015,000

10. COMPARATIVE FIGURES

Certain of the prior year's figures have been reclassified to conform with the financial statement presentation used in the current year.

BOARD OF DIRECTORS

of British Columbia Trade Development Corporation as at [illegible]

[illegible]
Chairman
British Columbia Trade Development Corporation

[illegible]
Chairman
Burns Lake Native Development Corporation

[illegible]
Economic Development Officer
Nelson & Area Economic Development Commission

[illegible]
Rancher

[illegible]
President and Chief Operating Officer
Vancouver International Airport Authority

[illegible]
Chairman
Ebco Industries Ltd.

[illegible]
Chairman
Modatech Systems Inc.

[illegible]
Businessman

[illegible]
President
Softwords Research International Ltd.

[illegible]
Mining Engineer (Retired)

[illegible]
Vice President
Canadian Forest Products Ltd.

[illegible]
President
B.C. Tree Fruits Ltd.

[illegible]
General Manager and Chief Executive Officer
Prince Rupert Port Corporation

[illegible]
President
PISAC International Investment Corp.

[illegible]
President and Chief Executive Officer
Gastown Post & Transfer

[illegible]
M.L.A.
Vancouver-Hastings

[illegible]
Director
United Steel Workers of America

[illegible]
Managing Director
Vancouver Board of Trade and World Trade Centre

[illegible]
President and Chief Executive Officer
Cathay International Television Inc.

[illegible]
Partner
Ernst & Young

[illegible]
M.L.A.
Vancouver-Fraserview

[illegible]
Chairman
Stothert Group Inc.

[illegible]
Associate Dean, Professional Programs
University of British Columbia

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